



*South Carolina Budget & Control Board  
Office of Insurance Services  
Research & Statistics Unit*

## **- January 2001 Rates -**

**A Composite Analysis of South Carolina's  
Standard State Health Plan Rates  
To State Plans Across The Nation**



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## Overview

One of the key benefits an employer offers is health insurance. For many, the attractiveness of health benefits may be a determining factor in accepting or declining a job opportunity. Health benefits are also important to employers. These benefits, when properly utilized, also benefit employers by improving the overall health of their workforce, which leads to improving the efficiency of their operations.

Full-time active employees in the majority of states have access to various health insurance options. Many states offer HMO, PPO, or indemnity health plans to their active employees. However, the premiums can vary substantially from plan to plan and state to state. Some states paid the total monthly premium for each employee's tier of coverage. Yet, in most cases, states allocate specified dollar amounts to contribute to each employee's monthly health premiums.

Regardless of how a state employee's health premiums are paid, rising health costs are driving premiums higher both in South Carolina and across the nation. To assess the impact of cost trends on plan premiums and compare South Carolina's State Health Plan to other states, the South Carolina Budget and Control Board's Office of Insurance Services conducted its annual survey of each state's most populated non-HMO plan.

To conduct our analysis, information was gathered on each state's most populated non-HMO plan and/or the plan most similar to the State Health Plan's Standard Plan. The following report presents the findings of our comparative analysis of each state's premium rates in effect on January 1, 2001.

## Plan Changes in 2001

The State Health Plan (SHP) underwent several key changes for 2001 as a result of rising health care costs and increases in claims. Plan changes affected both employer and employee contribution rates. The employer contribution increased 20 percent. And, for the first time since 1991, SHP subscribers will also pay higher monthly health premiums. Premiums for the SHP were raised \$5 regardless of the level of coverage.

Among the changes to the SHP was the first increase in coinsurance and deductibles for SHP subscribers since 1990.

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## METHODOLOGY

The tier structure of health plans varies from state to state. The State Health Plan (SHP) operates under a “four-tier” structure, which means that contributions vary according to four different levels of coverage: Employee Only (EO), Employee/Spouse (E/S), Employee/Children (E/C), and Full Family (FF). Many states use two-, three-, or four-tier premium structures. A two-tier structure is defined primarily as one entailing Employee Only and Employee / Dependent coverage levels. A three-tier structure entails Employee Only, Employee / Dependent, and Full Family coverage.

The tier structure has a significant impact on the contribution levels. In the case of a two-tier structure, the plan is typically spreading the cost of dependent coverage across all employees with dependents which results in employees covering only a spouse or dependents paying higher rates than an equivalently-priced plan with a four-tier structure.

To conduct a comparative analysis of plan rates from across the nation, a composite employer, employee, and total contribution rate was calculated for each state’s rates. The composite rates were calculated by using the percentage of SHP active employees with each coverage level in South Carolina, and applying those percentages to the rates for each state.

The percentages for each coverage level, as of January 2001 are:

Employee Only (EO) -	0.530828933
Employee / Spouse (E/S) -	0.108915614
Employee / Children (E/C) -	0.209099123
Full Family (FF) -	0.151156330

As a result, the composite rate for South Carolina and other states’ rates are calculated:

Four-tier plans:

$(EO \text{ rate} \times 0.530828933) + (E/S \text{ rate} \times 0.108915614) + (E/C \text{ rate} \times 0.209099123) + (FF \text{ rate} \times 0.151156330)$

Three-tier plans:

For three-tier plans, the E/S and E/C composite percentages are combined to make the E+1 composite percentage.

$(EO \text{ rate} \times 0.530828933) + (E+1 \text{ rate} \times 0.318014737) + (FF \text{ rate} \times 0.151156330)$

Two-tier plans:

For two-tier plans, the E/S, E/C, and FF composite percentages are combined to make the E+D composite percentage.

$(EO \text{ rate} \times 0.530828933) + (E+D \text{ rate} \times 0.469171067)$

## SURVEY SAMPLE QUESTIONS

### Survey of State Employee Health Insurance Plans

1. What type of structure does your state use to categorize active employee subscribers into different premium groups? (2-tier, 3-tier, or 4-tier)  
For example: Subscriber only; Subscriber and Spouse; Subscriber and Children; Full Family
2. What are your indemnity plan’s rates as of January 1, 2001 (or, if unavailable, the current rates for each of these different groups?)  
(Please include employer and employee rates)

What is the date these rates will be effective?

# FINDINGS

## State Health Plan Findings

Despite premium growth, the State Health Plan (SHP) still compares favorably with state health plans across the nation. While the 2001 composite growth rates were the highest observed in recent years, the SHP's rates remained under both the regional and national averages.

### Total Composite Rate

The State Health Plan (SHP) had a total composite premium rate of \$318.53 in 2001, a 19 percent increase from the 2000 composite. With growth occurring nationally, the SHP's total composite rate remained under the national average, composing 78.2 percent of the national average. A total of 39 states had a higher total composite premium than the SHP out of 50 state employee health plans analyzed.

Among southern states, the SHP's total composite rate was lower than 10 of the 14 states in the region, making up 89 percent of the \$357.79 southern regional average.

### Employer Composite Rate

The SHP's composite employer premium rate was \$262.85, up 20 percent from 2000.

The SHP's employer composite rate made up only 79.2 percent of the national employer composite rate of \$331.88. Only 10 states had a lower employer composite rate than the SHP in 2001.

In the southern region, the SHP's employer composite rate fared

well against the other states. The SHP's employer composite rate was lower than 7 of the region's 14 states while being 97.6 percent of the regional employer composite rate of \$269.31.

### Employee Composite Rate

The SHP's composite employee premium rate rose 10.8 percent to \$55.68 in 2001 from 2000. While the employee composite rate rose, it remained under the national employee composite average of \$75.34. In fact, the SHP's employee composite rate was only 73.9 percent of the national average and was lower than the employee composite rate of 32 states in 2001.

From a regional perspective, the SHP's employee composite rate was the second lowest in the South at \$55.68. It was only 62.9 percent of the regional employee composite average of \$88.47.

## 2001 South Carolina State Health Plan Premiums

	<u>Employer</u>	<u>Employee (Standard)</u>	<u>Total Rate</u>
Employee	\$194.76	\$ 19.72	\$214.48
Employee/Spouse	\$349.96	\$ 102.02	\$451.98
Employee/Child(ren)	\$275.48	\$ 56.74	\$332.22
Full Family	\$421.72	\$147.12	\$568.84
Composite Rate	\$262.85	\$ 55.68	\$318.53

## 2001 South Carolina State Health Plan Composite Premiums In Review

### SHP Composite Total Rate

39 of 50 States Have Higher Rate  
10 of 14 Regional States Have Higher Rate

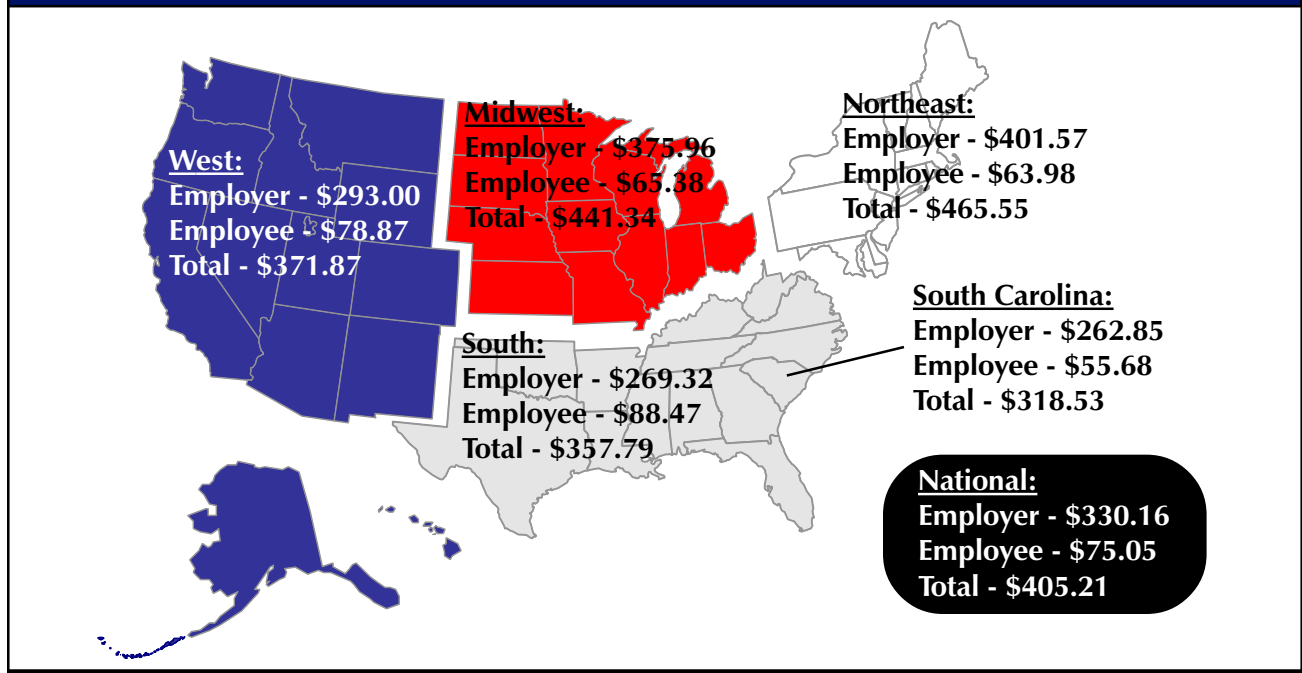
### SHP Composite Employer Contribution Rate

39 of 50 States Have Higher Rate  
7 of 14 Regional States Have Higher Rate

### SHP Composite Employee Contribution Rate

32 of 50 States Have Higher Rate  
12 of 14 Regional States Have Higher Rate

## 2001 State Employee Health Plan Composite Premiums for Indemnity Plans, by Regional Averages



### Regional Trends

#### South Region

Over the past few years of this survey, the South region has had the lowest total composite premium in the nation. In 2001, the region's total composite rate was \$357.79, 88.3 percent of the national rate. The South's total composite rate rose 5.7 percent from 2000.

State employees in the South region had the highest employee composite of the four regions over the last three years. In 2001, the region's employee composite was \$88.47, 117 percent of the national employee composite rate.

The region's employer contribution was the lowest of the four regions since 1999. The South region's 2001 employer composite rate was \$269.32, 81.6 percent of the national employer composite rate. The South region is made up of 14 states: Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, and West Virginia.

#### Northeast Region

The Northeast Region has had the largest total composite premium in the nation from 1999 to 2001. The region's 2001 total composite rate

was \$465.55, 114.9 percent of the national rate. The region's 2001 total composite was up 5.8 percent from 2000.

While the total composite ranks first, the region's employee composite rate was the lowest regional rate observed at \$63.98, 85.2 percent of the national employee composite.

The Northeast region's employer composite rate was the largest of the four regions. In 2001, the employer composite rate was \$401.57, 121.6 percent of the national employer composite rate. The Northeast's employer composite rose 5.4 percent from 2000. The region is made up of 11 states: Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont.

#### Midwest Region

The Midwest Region had the second highest total composite rate sited in 2001 at \$441.34, 109 percent of the national rate. At the same time, the region's total composite rate grew faster in 2001 than that of other regions. In fact, the Midwest total composite's 11.4 percent increase exceeded the 6.1 percent growth in the national rate.

See REGIONAL TRENDS on Page 6

## Regional Trends

Continued from Page 5

The employee composite rate for the Midwest region was \$65.38 in 2001, 87.1 percent of the national employee composite rate.

The employer composite rate ranked second at \$375.96 in 2001, 113.9 percent of the national employer composite rate. While the national rate grew 6.6 percent from 2000, the Midwest rate topped regional growth rates at 13 percent. The region is made up of 12 states: Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin.

### West Region

The West Region had a total composite rate of \$371.87 in 2001, 91.8 percent of the national rate. From 1999 to 2001, the West's total composite rate has ranked third among regions. The region's rate had the smallest growth from 2000 observed among regions.

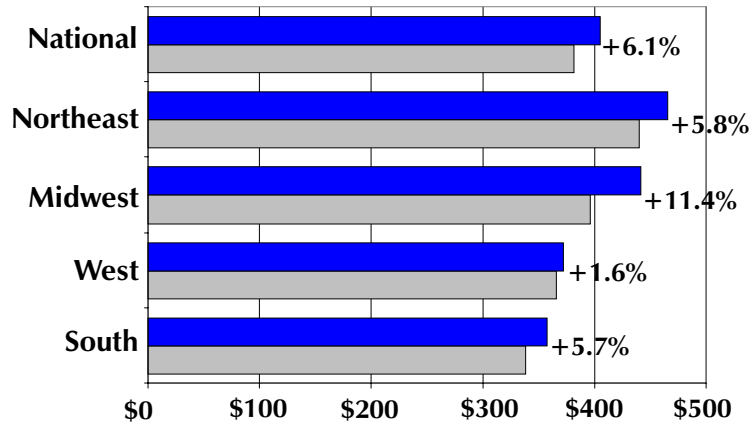
The 2001 employee composite rate for the West region ranked second at \$78.87, 105 percent of the national employee composite rate. The region's employee composite rate grew 7.5 percent, exceeding the 4.1 percent growth in the national employee composite rate.

The West region's employer composite rate ranked third at \$293.00 in 2001, 88.7 percent of the national employer composite rate. The region's employer composite rate grew a minimal 0.1 percent from 2000. The region is made up of 13 states: Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming.

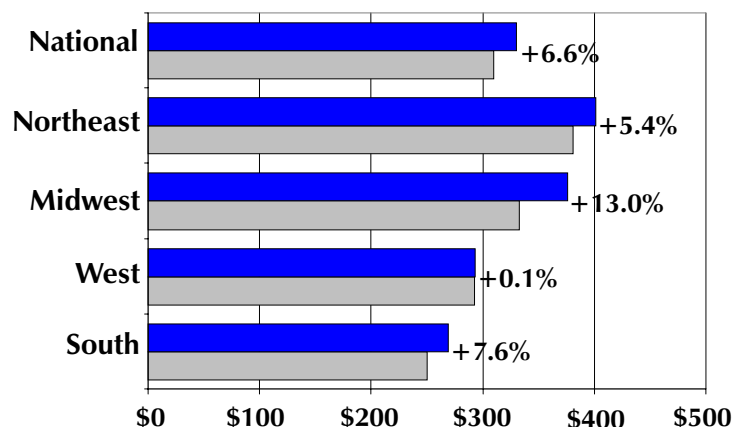
## Comparison of 2001 & 2000 Regional Averages for State Employee Indemnity Plans

■ 2001 Rates    ■ 2000 Rates

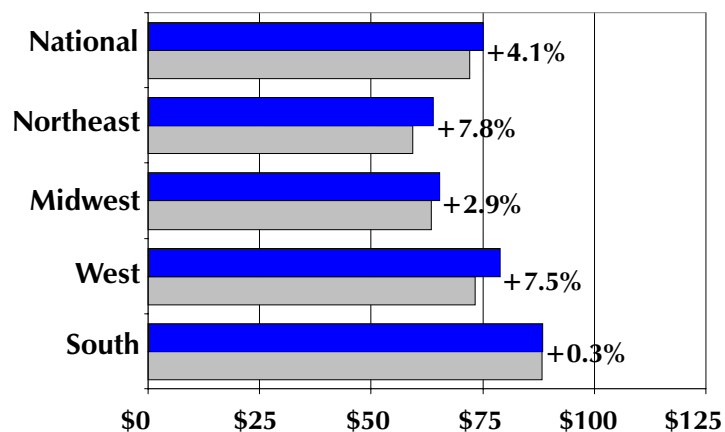
### Composite Total Rates



### Composite Employer Rates



### Composite Employee Rates





## National Trends

While premiums continued to rise, the rate of increase slowed in 2001 for the national total, employer, and employee contributions. A key reason for this trend is that many states made more substantial premium increases in the years just prior to 2001. Now, as health plans continue to look for ways to improve their bottom lines, several states have made adjustments to their plan design such as increased deductibles and coinsurance percentages along with premium increases.

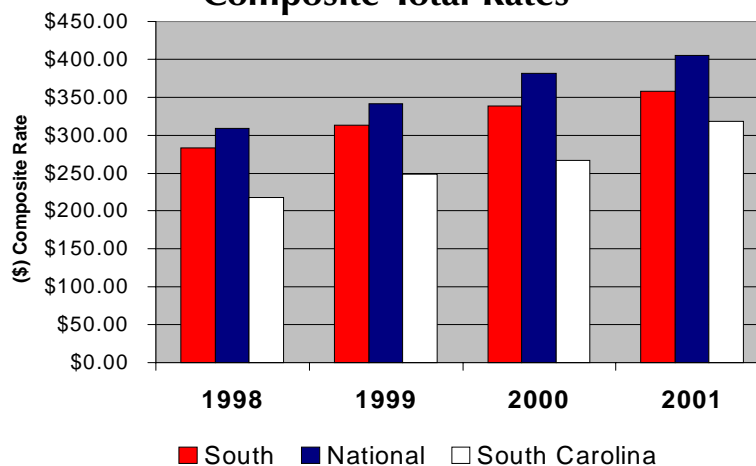
The national total composite rate rose 6.1 percent from \$381.87 in January 2000 to \$405.21 in January 2001. Since 1998, the national total composite rate has risen 31.3 percent. The largest annual growth rate from 1998 to 2001 was the 11.9 percent rise cited from 1999 to 2000.

The national employer composite rate rose 7.1 percent from \$309.81 in January 2000 to \$330.16 in January 2001. The employer composite rate grew 29 percent since 1998. The 12.7 percent growth rate cited from 1999 to 2000 was a key contributor to the trend.

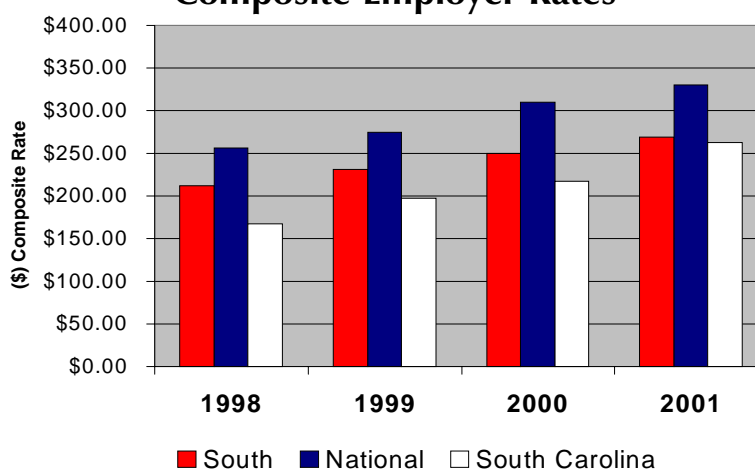
The national composite employee rate increased 4.1 percent from \$72.07 in 2000 to \$75.05 in January 2001. The employee composite rate has risen 42.7 percent since 1998. The largest annual growth rate during this time was the 26.4 percent climb from 1998 to 1999.

## Composite Rate Trends: 1998 to 2001

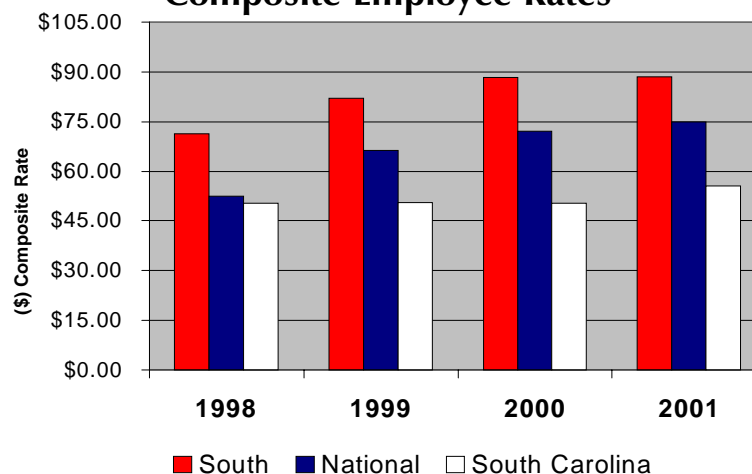
### Composite Total Rates



### Composite Employer Rates



### Composite Employee Rates



## ACKNOWLEDGEMENT

The Office of Insurance Services would like to thank the dedicated state employee benefits staffs of each state for their assistance in compiling our survey data. As in years past, we had 100 percent participation from the 50 states. Again, thank you for your assistance.



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